THE

GEORGE WASHINGTON UNIVERSITY

NAVY GRADUATE COMPTROLLERSHIP PROGRAM

TAX SAVINGS FOR SERVICE PERSONNEL

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FOR

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PREFACE

This paper deals with the field of personal income taxes with particular reference to the items of importance to service personnel in the planning and filing of their annual federal income tax report. It was developed by the writer as an introductory study to the general understanding of corporate income tax problems in connection with financial aspects of a comptrollers position in industry.

It has been mentioned by industrial figures who lectured to the Navy Comptrollership Group that the field of taxes is so important that more profits can be made by adequate planning than in any other aspect of business. In view of the many changes in the 1954 Income Tax Code, it appears quite possible that readers may discover savings or profits for themselves.

CHAPTER I

SAVINGS ARE POSSIBLE

Personnel in service and those in retirment status are no doubt included in the one and a half million taxpayers who annually overpay their income taxes. Those who pay the lowest income tax rate of 20% total seven out of every ten taxpayers; however, they account for 81.2% of the 28.4 billion dollars collected in income taxes per year.[1] For every dollar overstated in income or not deducted where allowable, service personnel are donating at least 20 cents to the government. We know that individuals in the higher income brackets over $100,000 where the tax rate of 91% applies, are able to plan their income so that they actually pay only at a rate of 45%.[2] However, those with incomes around $5,000, pay close to the 20 per cent specified.

There are many reasons that can be given as to why service families overpay their income taxes. Complexity of tax publications, the scarcity of tax consultation, the feeling that moderate incomes do not permit savings, and above all, the lack of planning both deductions and spending are just a few of the considerations. One should

[1] "'55 Profits to Break Record", U. S. News & World Report, (November 11, 1955) pp. 21-23.

[2] R. Paul, Joint Committee on the Economic Report (Post and Times Herald, Washington, D. C., November 16, 1955, p. 12).

realize that service men and women have virtually all the problems faced by tax payers such as dependents, home ownership, per diem and travel allowances, insurance, inheritances, investments, and civilian employment in retirement. Therefore, knowledge of tax information with advantages available from income planning appears of value to an individual and family.

It is easy to visualize that some planning could probably save most taxpayers money, but the question arises as to what type of planning can be accomplished. This report will be divided into four major subdivisions of an average individual's tax career; his early career, general career problems, civilian business considerations, and retirement options. Savings possible in the various subdivisions of an income tax report will be discussed; primarily the divisions are reportable income, exemptions, deductions, investments, and tax credits. New deductions or savings can be realized as a result of the new 1954 Code which is effective with 1955 Income Tax report,

At this time, it appears wise to specify that the items of savings are primarily legal methods of tax avoidance to take advantage of the avenues of income planning which Congress specified should be untaxable or of lesser tax rates than other types of income. There is no intent to discuss tax evasion by which is meant fradulent conduct. Since tax laws are constituted by

words frequently reviewed and sometimes changed, the interpretation of the grammar is quite often under question. Consequently, there is no distinct dividing line between tax avoidance and tax evasion.[1]

Also, only federal personal income taxes will be discussed since state and local taxes, excise taxes and corporate taxes, as well as social security taxes are separate subjects.

[1] R. Paul, "How to Avoid More Taxes Than You Should Pay", U. S. News and World Report, (December 30, 1955) p. 56-72.

CHAPTER II

EARLY SERVICE CAREER

When men and women join the services, they are generally young, unmarried, in the low income bracket, and with more simplified financial responsibilities than at any later point in their career. This portion of the discussion will be limited to the average young serviceman's income tax considerations. Those individuals with dependents, sizeable incomes and investments will be covered in later discussions.

Income as wages is generally recognized as service pay and compensation received from other sources for personal services. An additional item of income is that of transportation and per diem allowances. It is required that only the portion of the allowances which exceeds expenses on travel, food and lodging be reported. Since most individuals consider that their legitimate expenses exceed their allowances, no report is made. Personnel should realize that expenses over the allowances are deductible business expenses and can be deducted from their service wages before entering their income on line 5 of form 1040. Also, in some cases where personnel did attach a list of expenses to their income tax report, there arose questions over the accuracy of some claimed deductions.[1] However, it is advised that all personnel

[1]Interview, J. O. Rolfson, Armed Services Income Tax Council, December 15, 1955.

keep records of their personal travel and per diem expenses in order to obtain the savings available when expenses exceed allowances and prevent undue taxation on allowances not balanced by legitimate expenses.

A new credit allowance or deduction to income is now available to service personnel. Pay received by military personnel when absent from work for injury or illness can be excluded from gross income (line 6, page 1, Form 1040). This amount is limited to $100.00 per week during the entire absence but the first seven calendar days of pay are not excludable unless the individual is absent due to an injury or was hospitalized at least one day during the illness. Therefore, in order to obtain this additional saving for illness in the first week, which could amount to $20.00 at the lowest income tax rate, hospitalization should not be resisted.

Frequently servicemen or women will join the military services late in a year. Income will be withheld at the source for tax purposes. However, if an individual received less than $600.00 pay or income during the calendar year, he should claim the return of the income withheld for tax purposes by filing an Income Tax Return.

The distinction between excludable and credit items of income, exemptions, and deductions should be understood. Items which reduce income such as travel and per

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diem expenses, sick pay and dividend credit are claimable in addition to exemptions for dependents as well as use of either a standard or itemized deduction. Dependents are usually close relatives, such as a mother or father, who does not receive $600.00 gross income per year, and for whom the taxpayer furnishes over one-half the total support. The exemption of $600.00 may be claimed by a serviceman, even if he contributes just just 10 per cent of the support, providing that other members of the family or group supplying the support, designate the one person for the deduction claim.

Service personnel who are planning a marriage date early in a year should consider tax savings possible by scheduling the wedding date before the first of the year. By doing this, a joint tax form can be submitted, a full year's exemption obtained and the tax reduced. For a $5,000.00 annual income, the tax reduction can be at least $157.00, with increased savings for higher incomes.

The taxpayer who has relatively little that he can claim for deductions, can generally save money by using the standard deduction permitted as an administrative aid to filing the tax form. Where interest payments, state taxes, contributions to charity, casualty and theft losses are not sizeable, nor close to 10% of

taxable income, the standard deduction is advantageous and profitable.

In summary, servicemen or women with simplified income tax problems should check the following items for possible savings:

1. For first year's income of less than $600.00, claim refund of tax withheld.

2. When absent from duty due to personal injury or sickness, pay is deductible from income up to $100.00 per week.

3. Keep records of travel and per diem expenses, in order to offset allowances and claim deductions.

4. When travel and per diem expenses exceed allowances, the excess can be claimed as miscellaneous deduction in the Itemized Deduction section.

5. Consider possibility of claiming additional exemptions where possible revision of extent of support and method of payment will qualify.

6. Itemizing of deductions should be compared to a standard deduction if sizeable interest payments, state taxes, casualty losses and travel expenses are sustained.

7. Reservists on inactive duty can deduct cost and maintenance of uniforms to the extent not covered by uniform gratuity.

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8. Marriage late in a year could save tax payments as compared to marriage early in January of the following year.

9. Certain income should not be reported or can be delayed in reporting. Insurance dividends are return of payments - not income. Interest on Series E Bonds (U. S. Savings Bonds) need not be reported until bond matures or is cashed in. Bank interest earned in one year is not taxable until credited in your account and available for withdrawal.

10. Dividends from stock investments in most domestic corporations are not taxable up to $50.00 for each individual.

CHAPTER III

CAREER PLANNING

Service personnel are becoming increasingly aware of tax problems as their status changes during their career with marriage, children, inheritances, dependents, investments, increased income and expenses. Examination of their tax problems, calculation of the methods of tax filing, and planning for tax savings could prove interesting and valuable to individuals. Particularly, it should reduce the number of service families who annually overpay their taxes.

In addition to service pay, extra compensation for employment is quite prevalent. Especially in times where labor is in demand at attractive rates of pay, we find many service wives adding to the family income. Also, junior earns money as a newspaper delivery boy or for seasonal jobs. New rules favoring increased income for dependent college students are now in the code. Thus, there are many savings available to the head of a household in regard to reporting income.

Some of the twenty most frequently asked questions of the Internal Revenue Service pertain to income.[1] Those questions which may be applicable to service personnel are listed as follows:

[1] H. Schneider, Internal Revenue Service, Interview December 22, 1955.

1. "I helped a friend build a beach cottage, and he gave me a lot. Is it taxable income?"

"Yes. The fair market value of the beach lot is income to you for services rendered."

2. "I sold my residence during 1955 for a gain of $8,000.00, and used the entire proceeds to buy a new residence later in the year. Am I required to pay tax on the $8,000.00, when I file my 1955 return?"

"No. The law provides for the sale or exchange of a taxpayer's personal residence at a gain without tax providing certain conditions are met. The principal condition is that the old and new residence must be the taxpayer's principal home." Also, the cost of the new home should be equal to or greater than the sale price less depreciation of the first home, otherwise only the portion of the gain used to buy the new house will be tax free. Service people have one year to purchase their next home or 1 1/2 years to move into a home under construction at the end of the first year.

3. "My wife and I received over $100.00 in dividends on stock which we own. Is any part of this amount excludable from gross income?"

"Yes. Each of you may exclude from your income $50.00 of dividends received from qualifying domestic corporations during your taxable year. If a joint return

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is filed and both you and your wife have dividend income, each of you may exclude $50.00 of such dividends, but one may not use any portion of the $50.00 exclusion not used by the other. For example, if you have $300.00 in dividends, and your wife has $10.00, only $60.00 may be excluded on a joint return." If both husband and wife own stock in joint names, the income on that stock can be divided between them, and the deduction realized by both parties.

4. "I received $200.00 from our grocer as payment for my minor son's services as a delivery boy. Must I include this amount in my income for the year 1955?"

"N o. Amounts received for the services of a child shall be included in his gross income and not the gross income of the parent, even though such amounts are not received by the child." If a minor receives more than $600.00 gross income, a tax return is required. However, his tax rate is generally lower than the parents.

5. "My son, age 21, received $650.00 for services rendered as a waiter while he was attending college during 1955. Can I claim an exemption for him on my return for 1955?"

"Yes, provided you furnished more than one-half of his support during the taxable year and he was a full time student during at least five months of the year."

There are some additional questions in the top twenty which apply to exemptions and deductions:

1. "My three brothers and I contributed $1,200.00 to my mother's support during 1955. This was all the money she received during the year. Can I claim her as my dependent since I contributed $350.00 as my share?"

"Yes, provided that your brothers file a written statement that neither of them will claim your mother as their dependent. The law provides that if over half the support of an individual is contributed by more than two persons, each of whom may be entitled to the exemption, only one of such persons who furnishes more than 10% of the support may claim an exemption for the individual."

2. "Is the cost of repairing my summer residence, damaged by hurricane, deductible?"

"Yes, but the deduction is limited. Such losses caused by fire, storm, shipwreck, or other casualty are deductible to the extent of the loss sustained - that is the value of the property just before the casualty less its value immediately thereafter. The loss is further limited to the amount not recoverable by insurance."

3. "I paid $850.00 to a nursery school during 1955 for the care of my eight year old daughter while I was employed as a stenographer on a full time basis. Can I claim this amount as a deduction on a joint return filed with my husband?"

"No. You are entitled to a deduction for child

care for the period you were gainfully employed but the deduction is limited, for married women, to the amount actually paid, or $600.00, whichever is lesser, reduced by the amount by which the combined adjusted gross income of you and your husband exceeds $4,500.00." You can note that only service personnel with combined incomes below $5,100.00 benefit by this deduction.

4. "My wife died during 1955; can I claim an exemption for her on my return for that year?"

"Yes. The law provides that if you do not remarry before the close of the taxable year, you may file a joint return and claim an exemption for your deceased wife."

5. "I gave my old television set to the Boy Scouts of America in June, 1955. I also paid $50.00 rent for a meeting place for a boy scout troop. Am I entitled to a deduction for the television or the money I spent?"

"Yes, provided you use the long form 1040 and itemize your deductions. The television must be valued at fair market value and not your original cost to arrive at the amount of your deduction for that item. The total deduction is generally limited to twenty per cent of your adjusted gross income. However, you are allowed a special additional deduction of up to ten per cent of adjusted gross income for contributions paid to churches and other qualifying organizations."

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The foregoing questions and answers indicate various possibilities for tax reductions on the income page. In addition, the "Sick Pay" exclusion on income previously discussed is quite valuable. A two months sick leave could reduce the taxable pay for a year by one-sixth, or nine weeks could mean exclusion of $900.00 of taxable pay which at the lowest rate is a saving of $180.00 in taxes. Another income deduction item is that for officers mess bills, when on permanent duty afloat and away from the home port. This deduction need no longer be reduced by the subsistence allowance.

The keeping of accurate accounts of expenses while on travel status is important in order to prevent being taxed on travel and per diem allowances, and also to permit tax savings on deductions possible where expenses exceed allowances. In a typical example, an individual is allowed $12.00 a day for per diem expenses, but he finds that his expenses for hotel, meals and local transportation average about $16.00 a day. This individual regularly states his allowances under income and furnishes a list of expenses which more than offset the allowances. The expenses which exceed the allowances amount to an average of $4.00 a day. If this taxpayer is on travel status six days a month, or 72 days a year, he has an additional deduction of $4.00 times 72, or $238.00 available, which means a saving of at least 20 percent, or

$57.60. In this actual example, the individual adds his government pay and his travel allowances, then subtracts his expenses and reports the resultant wages earned on line 5 of Form 1040.

In discussing exemptions, it is frequently possible with a little consideration to establish a tax deduction worth at least $120.00 of savings. A parent or close relative might have income from stocks, bonds or rent totaling around $400.00 per year. If you have been augmenting the income by gifts of money and payment of various expenses, a total of slightly more than $400.00 would be enough to qualify for a $600.00 exemption. For those who receive Social Security payments, the level of support must be greater than the total income of the dependent. However, as an alternate to increasing support by the amount of Social Security payments, you could see to it that the dependent banks some of the payments rather than spending it.[1]

In the field of deductions, there are many individuals who knowingly are paying too much taxes, principally because they do not keep records or are too lazy or careless to figure out their deductions.[2]

[1] "Ways to Save Now on your Taxes," U. S. News and World Report, November 4, 1955.

[2] R. Paul, U. S. News and World Report, op. cit. p. 59.

For individuals with very few possible deductions, the standard deduction of 10 per cent of adjusted gross income up to $1,000.00 is beneficial. For personnel with deductions even close to the standard deduction, a saving is possible by some advanced planning of expenditures. A couple with $7,000.00 taxable income calculate that they have about $650.00 of deductions, therefore they use the allowable standard deduction of $700.00. Thus, in a two year period, they would obtain $1,400.00 allowable deductions. As an alternate plan, they could make some year end or advance payments on deductible items which run on an installment basis. Typical items could be outstanding bills for deductible interest on debt, state and local taxes - especially residence taxes - and pledged contributions to church, community chest, Red Cross or other charities. By some planning, it would be possible to increase payments one year to $1,000 of deductions, leaving $300.00 for the second year. Then the family could take an itemized deduction of $1,000.00 one year, and a standard deduction the second year of $700.00, with an increased deduction of $1,700.00 less $1,400.00 - or $300.00. For families with itemized deductions greater than the standard deduction, the method of speeding deductions can be profitable when the taxpayer desires to keep his tax from climbing into the next higher brackets.

In itemizing deductions, it is important that adequate records are kept. Generally contributions to recognized charities and pledges to a church are receipted. Also deductible are personal expenses in soliciting for or aiding these organizations as well as cash contributions to a church. Payment by check for numerous smaller deductions is recommended as a means for having a record for deductions. A credit card for gasoline purchases will establish the deductible State gasoline tax.

It is generally known that transportation to and from home to the office is not a deductible expense. However, transportation expenses, even though you do not travel away from home, may be deducted from wages in connection with performance of services for the government.[1] A service taxpayer with an office in the Pentagon, deducts the travel expenses between his home and the airport, if he flies. If the round trip mileage involved is 30 miles, and four trips a month (or 50) is the total for the year, the individual uses 1,500 miles and 8 cents per mile as a deduction. This figures out to be a $120.00 deduction or a savings of at least $24.00.

Owning a home provides important tax deductions in both federal taxes and interest payments on a mortgage. For a $25,000 house, state tax of about $300.00 and

[1] "How to Prepare your Income Tax Return," Internal Revenue Service, p. 6.

interest payments of $800.00 per year are representative deductions. When a service family rents their home to someone else, an additional deduction called depreciation is allowable. On this $25,000 house, depending upon age and type of construction, 3 per cent, or $750.00 would be representative as a deduction from the rent received. Also, all repairs chargeable to renting become deductions. Agent fees and expenses of management such as inspection trips are deductible.

An interesting possibility arises in conjunction with selling a home, especially where the time allowed for selling is too short or inappropriate, and a significant undeductible loss would be suffered. This situation may arise more often in the future with service personnel since older houses are becoming more difficult to sell at 1953 and 1954 costs. An astute tax payer would consider renting his home for a while, possibly a year, thus converting it to a business proposition. Thus, if any loss is sustained upon a future sale, it is a business or deductible loss, whereas a loss on personal property is not deductible. It is important that the house be valued at the time it is converted to business property.

Let's take an example of a serviceman who has to go a long distance away with very little warning. The house is put in the hands of a real estate agent

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and might be priced too high for a quick sale. After the house becomes vacant, the lawn and shrubbery may deteriorate and the desirability and price fall out of relation to the neighborhood. A $5,000.00 loss is not unheard of in a medium priced house, and it is not deductible since it is a personal loss. When a family goes to government quarters, or if the wife resides with her family when the husband is overseas, renting the house should be considered with a sale in mind at an opportune time in the future. With the house evaluated in relation to the neighborhood, it is possible that no loss might result in the sale. Any loss would be deductible since the house is used for business reasons. Any expected decrease in overall real estate market values during the period of renting should be considered in relation to the actual loss with which the owner is faced in the above example.

Frequently service personnel take out loans to finance purchases of an automobile or for other purposes. Sometimes the notes that they sign are discounted and the value of the note is stated in terms of the amount borrowed plus interest charges. Although no Internal Revenue ruling is available, apparently the taxpayer has the option of deducting the entire amount of the interest in the year the note is executed, or as an alternate, apportion the

interest over the years of the loan.[1] Use of the lump sum deduction could provide a sizeable saving, especially if it should reduce a taxpayers rate of tax to a lower bracket, as well as reducing taxes during a year of high tax rates - 1955 versus a year of expected reduced tax rates. If a personal loan is taken out with a bank in order to purchase an automobile in 1955, the loan of $2,000.00 might be increased by the amount of interest payments for two years. If the interest charged for two years was $200.00, the loan would be made out for $2,200. with $2,000.00 going to the borrower. The $200.00 interest on the personal debt could be deducted in 1955 or the portion attributed to 1955, 1956 and 1957 could be deducted in those years. The lump sum deduction should generally produce a saving as well as give the taxpayer the use of the money.

The Internal Revenue Service now recognizes the difficulties of families with teen-age part time wage earners. Frequently, children stopped work when their earnings neared $600.00 a year in order to prevent their parents from losing their exemption. Now all children under 19, or even older when students for at least five

[1] H. A. Rourke, Asst. Treasurer, American Security & Trust Company, Interview December 22, 1955.

months per year, can earn any amount. However, the taxpayer must still furnish more than half of the dependents support. Amounts received as scholarships up to $300.00 per month are not considered as income to the student when calculating the support requirement. Midshipmen and Cadets are considered students, but their pay is not for a scholarship.

There are many tax considerations applicable to investment treatment. There are some investments with income tax free. Interest on State and municipal bonds are tax exempt. Some of these bonds have relatively favorable rates of return in comparison with good common stocks. Also certain stocks like United Corporation and Electric Bond and Share call their payments to the stockholders "return of capital" which is not taxable. Generally, dividends or interest payments from commercial stocks and bonds are fully taxable as investment income.

Oil and mineral leases or investments in such property which produce income have a special depletion allowance. It is generally known that 27.5 per cent of the gross income is tax free. However, it is not realized by many people that about 29 percent of the income paid to the leaseholder is actually deductible. This results from the fact that the leaseholder receives from an oil company - if he has an oil lease - the gross value of the oil pumped less the state tax of about 5 per cent.

If a leaseholder receives $3,000.00 a year from an oil lease, hisdepletion allowance or tax free income is $870.00 instead of 27.5 percent times $3,000, or $825.00.

In selling stocks for profit and loss, certain balancing items are important. All stock losses equivalent to gains plus $1,000.00 are deductible in a year. Losses which overbalance gains by more than $1,000.00 can be carried forward for five years. It is important to realize that stock losses are offsets to ordinary income or the full amount is used toward a saving on taxes. However, stock gains held over six months are only half taxable since half the gain is untaxable. Therefore, when losses are balanced against long term gains, the maximum value of the loss is not being obtained. Some planners would take their losses in a certain year and their long term gains in a different calendar year.

We can take the case of an investor who buys in May $2,000.00 of stock A and $2,000.00 of stock B. At sometime during the remainder of the year, he decides to sell stock A at a loss of $1,000.00. Near the year end, he can make a decision to sell stock B at a long term gain of $1,000.00 or wait until January. If he sells stock B in December, his gain cancels out his loss and there is no taxable income. If he holds stock B until January, he reports a total loss of $1,000.00 for year which balances off $1,000 of fully taxable income at a

saving of at least 20 percent, or $200 in taxes. Stock B sold in the following year as a long term gain is only half reportable as a gain, and the tax might be as low as 20 percent on $500, or $100. Thus, by some planning, the taxpayer in this case saved $100.

It is recommended that career service personnel check the following list for possible savings applicable to their individual situations.

1. Consider the desirability of keeping a record of deductible expenses in order to permit an itemized tax deduction. The major headings should include those on the tax form - contributions, church and charity, interest, loans and purchases, taxes - state and local, medical and dental, child care, losses - casualty or theft, and miscellaneous.

2. Keep a record of all travel and per diem expenses not only in order to balance any allowances received, but to permit excess expenses to be deducted from reportable wages.

3. With only small deductions available, use the "standard deduction."

4. With deductions which approach in value to the "standard deduction," consider the savings available by planning larger payments in a single year and using the "standard deduction" in the year that deduction expenses

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are reduced.

5.Claim an income credit or deduction for periods when injured or ill. Hospitalization should not be resisted for illness, since one day qualifies a person for the first week's deduction.

6. For wives who work, some bonuses are given with the company paying the withholding tax. Therefore, the withholding tax credit from pay should be increased by the amount applicable to the bonus.

7. Officers on permanent sea duty should take a full deduction of their mess bill for periods when their ship is not in the home port.

8. Consider the possibility of renting your home for a period to prevent a non-deductible loss on the sale of the house.

9. Casualty losses such as those from fire, hurricane and floods are deductible to the extent not reimbursed by insurance. Also include losses of trees. Damage to a private automobile similarly is a deductible loss.

10. Your expenses collecting funds for charitable organizations, and expenses in connection with helping scout organizations are deductible if itemized.

11. Working women or windowers can claim up to $600 for care of children under 12 or handicapped dependents

are removed.

3. There no longer should be separation for physical reasons between an AIC. Administrative records are to remained for history, since one day qualifies a person for the first month's leadership.

4. The moral — some, some lessons are given with the necessary degree the responsibility lay. Therefore, the mile-building man should dare not should be concerned by the moral-religious to the degree.

5. Citizens of prominent and they should lack a full definition of leader mass AIC for people when their AIC is not in the long part.

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8. The strength military tools for constitute organizations, and arrange to dependence and parties must religious the democratic is leaders.

9. Leaders means or strength and citizen is a time. The mass of citizens when AIC of leadership leadership

providing their total family income is under $5100 per year.

12. Many taxes are deductible. They include real estate taxes on your home, state income taxes, state and city sales taxes, and state gasoline taxes.

13. Charge accounts facilitate keeping records of state gasoline and sales taxes.

14. Do not declare life insurance dividends as income. They merely reduce the cost of the insurance.

15. Life insurance received as a result of a death is not taxable.

16. When life insurance is used as an investment, all increased value earned above the premiums paid is taxable as a capital gain.

17. Life insurance payments in installments earn interest. The first $1000 of interest is not taxable for a widow.

18.Consider delaying the reporting of certain income such as interest earned on Series E Savings Bonds from a high income period to one of lower income, such as delaying from the last active duty period to that of retirement.

19. There is an advantage in taking stock losses in a year where it can be balanced against fully taxable income. This necessitates delaying capital gain income

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until a later period.

20. The first $50 of dividends received from corporate stock investments each year is tax exempt. For husband and wife to each get $50 credit, both individuals should have dividends in their own name or in joint ownership.

21. A 4 percent credit is permitted on all dividends received over the above mentioned $50 exclusion per individual.

22. The first $1200 of service retirement pay is now tax free, without regard to the 65 year old limitation on the credit.

23. Above 65, additional items such as dividends, interest, and rent are applicable to the retirement credit.

24. Wives can qualify for the retirement credit if they worked at least during ten different years with an income of at least $600 per year. A ten week secretarial job could give a year's qualification. Employment by a family corporation would also suffice.

25. When calculating depletion allowances on oil or mineral lease income, multiply the amount actually received by 29 percent rather than 27.5 since the state tax has already been paid at the source.

26. Periodic payments of alimony, under legal decrees, are deductible by the taxpayer but are income for a wife.

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[illegible]. The first step of [illegible] separated from [illegible] which [illegible] is the economy. The backed [illegible] is also an [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible].

[illegible]. A [illegible] model is presented on all [illegible] [illegible] that the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] individual.

[illegible]. The third step of [illegible] [illegible] is the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

27. Other miscellaneous deductions include the cost and upkeep of uniform insignia and gold, reenlistment bonuses refunded, and dues to professional societies and journals.

In summary, we have noted many new provisions in the 1954 income tax code and many other items which with some forethought could produce savings for service taxpayers. There are many other items which can be mentioned in connection with a business career upon resignation or early retirement, in addition to retirement considerations themselves. However, for an individual to take advantage of the methods of tax avoidance, he should note the items applicable to his financial situation and family responsibilities, and then keep the records required to justify the tax credits, exemptions, and deductions. Above all, it is imperative for advantageous tax planning that personnel not delay until the last moment to prepare their income tax report. By then it is too late to develop records and plan savings, so we end up being one of the 1.5 million taxpayers who overpay our taxes.

77. Value-added taxes discriminate against the poor and against if nations imbalance and gain, consumption because relatively, and thus by proportional product and income.

In summary, we have seen that there are problems in the life cycle for rich and poor alike. Life cycle with your throughout small-scale nations with the service business. There are many other lines which you to cope-fissed in economics with a reduced income than Italian-Also or with retirement, in addition to provisions consumption-expenditures. However, the be involved to the economics of the methods of the economics of economic have the lines applicable to by financial allocation of their preferences and then that the records employed to decide for the quality, economics, and economics. Even so, it is impossible for economics the planning that economics and being over. The best economics be problems have financial resources. In view of it is the that economic records and plan economics on to the life cycle of the life within behavior the economics the state.

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